

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TD/37
22 December 1966

Limited Distribution

Committee on Trade and Development
Eighth Session
Punta del Este, Uruguay
16-20 January 1967

Original: French

THE MARKET SITUATION FOR COTTON AND ITS IMPACT ON THE ECONOMY OF CHAD

Note by the Delegation of Chad

1. The delegation of the Republic of Chad wishes to recall the statements by its representatives concerning the repercussions of the world cotton situation on the economy of Chad, made at the first meeting of the Working Group on International Commodity Problems in November 1965, at the Twenty-Third Session of the CONTRACTING PARTIES in March 1966, and at the Seventh Session of the Committee on Trade and Development in October 1966. At the last-named meeting the representative of Chad also pointed out that his Government had explored the possibility of finding solutions in various agencies but without results and had come to the conclusion that a discussion of this problem in GATT would be useful.
2. The delegation of Chad therefore wishes to bring to the urgent attention of the present session of the Committee on Trade and Development the serious and far-reaching effects on the economy of Chad of the situation in the world market for cotton, especially as regards persistently low prices. The following paragraphs are intended to present a brief summary of the problems faced by Chad.
3. The importance of cotton to Chad is brought out by the following:
 - (a) cotton represents 70 to 80 per cent of the country's total exports;
 - (b) the only feasible diversification in the agricultural sector at present would be groundnuts. However, prospects for groundnuts in the world market are not good. Moreover, production of groundnuts for export from Chad is at present negligible, and would take considerable time to develop;
 - (c) cotton is the sole source of cash income of more than one half of the country's agricultural producers;
 - (d) the export tax on cotton provides nearly 20 per cent of current receipts of the national budget.

The levels of cotton prices in the world market therefore have a very direct and profound effect on Chad's economy, and will continue to do so for a considerable time in the future.

4. Several factors combine to render Chad's competitive situation particularly difficult:

- (a) the large distance separating the producing zones from the nearest sea-ports, involving inland transport costs amounting to more than 20 per cent of the price paid to producers;
- (b) cotton export taxes which cannot be reduced, let alone eliminated, as they represent a vital source of income for the national budget;
- (c) rising production costs;
- (d) declining export prices.

5. Faced with a situation which threatened to disrupt fundamentally the economy of the country, the Government of Chad has taken a series of measures including:

- (a) setting the price to producers at an extremely low level, the same in fact as for 1958 notwithstanding the rise in the cost of living since that year;
- (b) measures aimed at a systematic increase in production;
- (c) a reduction in transport rates;
- (d) an increase of yields in ginning;
- (e) elimination of the sowing bounty.

Steps are presently being taken to achieve a further reduction in transport costs and in financing costs. The measures introduced by the Government could, however, remedy the situation only partly.

6. Up to the 1962/63 season, France accorded deficiency payments between the market price and a guaranteed price, and in addition granted a sowing bounty. Under the Yaoundé Convention between the European Economic Community and the Associated African and Malagasy States, such bilateral agreements were replaced by transitional measures of price support and of structural improvement aimed at the gradual attainment of competitiveness at world prices. While it is not the

intention of this note to enter into details of the present system, it should be stated that, even with the additional measures taken by the Chad Government, its provisions will be insufficient to reach the desired aim. Furthermore, the State is at present faced with the alternative:

- either of reducing by 25 per cent the price paid to the producer - and since the producer's return is already very inadequate, this solution should be ruled out;
- or of financing the deficit in the cotton price stabilization fund, which would constitute a heavy budgetary liability.

7. Over and above problems of price, the question of outlets may also come to the fore with the expected increases in production.

8. The case of cotton in relation to Chad's economy is but one more indication that an uncontrolled free market system will favour the economically better endowed countries to the detriment of the less well endowed. The best assistance that could be given to developing tropical countries would be to assure an equitable price for their products, whether by means of price supports or through a regularization of world markets. It has repeatedly been stressed in various international fora, and in the GATT in particular, that the mere elimination of tariff barriers and quantitative restrictions on primary products will not suffice to assure stable incomes to producers, and that, given the slow growth in demand, the adjustment between supply and demand cannot be left to free market forces alone, but should be achieved through concerted action between producers and consumers.

9. In the view of the delegation of Chad, an important factor in the determination of world market prices for cotton, which in turn determine the prices and incomes received by cotton producers in the less-developed countries, is the effect of support and subsidization policies applied to production and exports of cotton. At earlier GATT meetings, the delegation of Chad expressed the opinion that the provisions on cotton contained in the agricultural legislation applied up to 1965 by the United States had contributed substantially to the deterioration of cotton prices in world markets. It also expressed misgivings in regard to the possibility that the new legislation recently adopted by the United States might have similar consequences.

10. The delegation of Chad wishes to recall the provisions of Article XXXVI of the GATT, in particular those contained in its paragraph 4, which states that,

"..... there is need to provide in the largest possible measure more favourable and acceptable conditions of access to world markets for these /i.e. primary/ products, and wherever appropriate to devise measures designed to stabilize and improve conditions of world markets in these products, including in particular measures designed to attain stable, equitable and remunerative prices"

11. The delegation of Chad also wishes to recall the provisions of Article XXXVII, in particular those contained in its paragraph 3, sub-paragraph (c), which states that the developed contracting parties shall

"have special regard to the trade interests of less developed contracting parties when considering the application of other measures permitted under this Agreement to meet particular problems and explore all possibilities of constructive remedies before applying such measures where they would affect essential interests of those contracting parties."

12. Finally, the delegation of Chad wishes to recall the terms of reference given to the Committee on Trade and Development by the CONTRACTING PARTIES, which include, in particular,

"1. To keep under continuous review the application of the provisions of Part IV of the General Agreement;

2. To carry out, or arrange for, any consultations which may be required in the application of the provisions of Part IV;"

13. In view of the situation described in the present note and in pursuance of the provisions of Part IV of the General Agreement referred to, the Government of the Republic of Chad requests the Committee on Trade and Development, in accordance with its terms of reference, to carry out, or arrange for, the consultation required.